
**REPORT AND RECOMMENDATIONS
OF THE WORKSHOP ON
“THE ROLE OF PUBLIC PRIVATE PARTNERSHIPS FOR THE DEVELOPMENT OF
THE TOURISM SECTOR IN OIC MEMBER STATES”
30 September - 1 October 2014, Ankara, Republic of Turkey**

1. In accordance with the resolution of the 29th Session of the Standing Committee for Economic and Commercial Cooperation of the OIC (COMCEC), the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) and the COMCEC Coordination Office organized a workshop on 30 September – 01 October 2014 at the Headquarters of SESRIC in Ankara, Republic of Turkey as a preparatory event for the Ministerial Exchange of Views Session on the theme “The Role of Public Private Partnerships for the Development of the Tourism Sector in OIC Member States” during the 30th Session of the COMCEC, to be held in Istanbul on 25-28 November 2014.
2. Representatives of relevant ministries and national institutions in the following Member States attended the Workshop:
 1. People's Democratic Republic of Algeria
 2. Republic of Azerbaijan
 3. Arab Republic of Egypt
 4. Republic of Indonesia
 5. Republic of Lebanon
 6. State of Kuwait
 7. Kingdom of Morocco
 8. Republic of Niger
 9. Sultanate of Oman
 10. Kingdom of Saudi Arabia
 11. Republic of Tunisia
 12. Republic of Turkey

3. In addition, representatives of the OIC General Secretariat, COMCEC Coordination Office, Islamic Development Bank (IDB) Group, Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) and Islamic Centre for the Development of Trade (ICDT) attended the Workshop. The Workshop was also attended by an expert from the World Tourism and Travel Council.

Opening Session

4. Following the recitation from the Holy Koran, the message of H.E. Mr. Iyad Ameen Madani, Secretary General of the OIC, was read by Mr. Nabil Dabour, Director of Research Department at SESRIC. On behalf of the COMCEC Coordination Office, an opening statement was also made by Mr. Selçuk Koç, Director at COMCEC Coordination Office.

5. In their opening statements, the speakers highlighted the potential and the challenges facing the development of a sustainable tourism sector in the OIC countries. They also highlighted the important role of the public-private partnerships (PPPs) in the development of tourism sector in OIC countries. In this context, the speakers emphasized the importance of the workshop in bringing together representatives of relevant ministries and national institutions in OIC member countries as well as relevant OIC and other international institutions to share their knowledge and experience as well as best practices and successful stories to come up with concrete recommendations for promoting and enhancing PPPs in tourism sector in the member countries.

Working Sessions

6. During the working sessions, representatives of relevant ministries and national institutions in OIC countries as well as representatives of relevant OIC and international institutions made presentations on various aspects related to the themes of the working sessions, namely: (1) tourism outlook of the OIC member countries; (2) tourism PPPs: trends, models and implementation areas; (3) common issues and challenges in implementing tourism PPPs in the OIC member countries; and (4) tourism PPPs in practice: success stories from OIC member countries. The last working session was designated to wrapping up and drafting the recommendations.

Session 1: Tourism Outlook of the OIC Member Countries

7. Dr. Cem Tintin, Researcher at SESRIC, made a presentation titled “International Tourism in OIC Member Countries: Prospects and Challenges”. In his presentation, Dr. Tintin highlighted importance of tourism sector for OIC economies. He also presented the recent developments in international tourism sector in OIC countries in terms of tourism arrivals and tourism receipts by using the latest available data and statistics. He also emphasized the importance of the role of PPPs for the development of tourism sector in OIC member countries. The presentation ended with some policy recommendations at both the national and the OIC cooperation levels to overcome some of the existing challenges regarding investment in the tourism sector particularly related with the PPP modality.

Session 2: Tourism PPPs: Trends, Models and Implementation Areas

8. Ms. Helen Marano, Vice President of Government & Industry Affairs, World Travel and Tourism Council, made a presentation titled “Tourism PPPs: Trends, Models and Implementation Areas”. In her presentation, Ms. Marano mentioned that tourism related investment (USD\$ 755 billion in 2013) is projected to grow by over 5% per year in the next ten years which indicates the high potential of the sector. She gave specific examples from three countries/regions namely the USA, the Caribbean Tourism Organisation, and the three country Peaks of the Balkans on private and public sector cooperation. She concluded her presentation by highlighting some success factors for PPPs in tourism sector, which included: making the opportunities well defined and measurable for the return on investment (ROI); clearly frame the incentives and business environment; evaluate and ensure the workforce needs; engage the stakeholders from the beginning; and ensure sustainability through cooperation and partnership.

Session 3: Common Issues and Challenges in Implementing PPPs in the OIC Member Countries

9. Ms. Aslı Tasmaz Dadakoglu, Expert at the COMCEC Coordination Office, made a presentation titled ”Common Issues and Challenges in Implementing Tourism PPPs in the OIC Member Countries”. In her presentation, Ms. Dadakoglu focused on the role of governments in implementing tourism PPPs in the tourism sector. The presentation emphasized the importance of tourism PPPs in the OIC member countries and highlighted some common issues and challenges that face the OIC member countries in this area.

Session 4: Tourism PPPs in Practice: Success Stories from the OIC Member Countries - I

10. Mr. Gilbert Zayo, Chairperson of the Department of Jeita Grotto and Rest of Lebanon's Caves, Ministry of Tourism Republic of Lebanon, made a presentation titled "Tourism PPPs in Practice: Success stories from the OIC". The presentation focused on the case of Lebanon. He mentioned that, according to the 2014 estimate, the services sector including tourism constitutes 76% of the GDP of Lebanon. Mr. Zayo briefly highlighted the Lebanon's experience in tourism development, especially in post-war period starting from 1990 where the private sector played an important role through privatizations and B.O.T. (build-operate-transfer) contracts. He gave specific examples from Jeita grotto, Saida and Tyr touristic attraction sides in which PPP projects implemented successfully.

11. Mr. Mohammad A. Al-Nashmi, General Manager of Planning and Monitoring at the Saudi Commission for Tourism and Antiques, Kingdom of Saudi Arabia, made a presentation titled "The Role of Public Private Partnership in in the Development of the Tourism Sector in Saudi Arabia". In his presentation, Mr. Al-Nashmi focused on the Saudi tourism strategy that started in 2000 with two main objectives: to create a new economic sector to minimise the dependency on oil and to minimise outbound tourism expenditure of Saudi Arabia. The presentation highlighted the importance of consultations of Ministries of tourism with other authorities/ministries within the country for successful PPP projects through providing legal frame work, policies and necessary infrastructure.

12. Mr. Kamel Gaiess, Director of Investment, Ministry of Tourism of the Republic of Tunisia, made a presentation titled "Public Private Partnership in the Development of the Tourism Sector in Tunisia". In his presentation, Mr. Gaiess informed the participants that the first impetus in Tunisia's tourism sector was given by the State participating directly to the realization of hotel unities (the State held 95% of capacity when the industry was launched during 1960-1970). He mentioned that the Tunisian State disengaged from tourism progressively in favour of private sector through an incentive system. He highlighted that the public institutions provide training and human resource (18 training centres), promotion and marketing (25 million euros per year), basic Infrastructure for the success of the tourism investment and PPP projects in Tunisia. He also mentioned about a strategic document namely "Establishment of a Strategic Study for Tourism Development: Vision 3+1 Perspective 2020".

13. Mr. Necip Boz, Consultant at the Assembly of Turkish Tourism Industry, TOBB (Turkey), made a presentation titled “Tourism in Turkey”. In his presentation, Mr. Boz talked about the history of how the tourism sector developed in Turkey. He highlighted the importance of the changes made in the legal framework in 1982 in Turkey that enabled the private sector investments in the tourism sector. He also emphasized the positive role of adopting legal procedures to provide incentives to investors in the tourism sector. He also underlined that building up infrastructure including airports, highways and ports is necessary for the development of the tourism sector and attracting investments go into the tourism sector.

Session 5: Tourism PPPs in Practice: Success Stories from the OIC Member Countries - II

14. Mr. Mustapha Ibrahimi, Head of the Division of the Strategy and Planning, Ministry of Tourism of the Kingdom of Morocco, made a presentation titled “Public Private Partnerships in Morocco“. In his presentation, Mr. Ibrahimi emphasized the importance of the tourism sector for the Moroccan economy that creates jobs, increase foreign exchange income, accelerate economic growth and development. He mentioned that tourism is a capital intensive sector that requires substantial financial efforts to emerge. In his presentation, he highlighted that PPP projects are one of the proven effective ways of enhancing investment in tourism in Morocco.

15. Mr. Hengky Manurung, Deputy Director for Tourism Investment at the Ministry of Tourism and Creative Economy, Republic of Indonesia, made a presentation titled “Transforming and Capturing Indonesia’s Economic Growth“. In his presentation, Mr. Manurung highlighted the role of tourism sector and tourism investments for the growth of the economy of Indonesia in which the private capital owners, especially foreign investors, play a major role. He also provided a specific successful example of PPP projects from Indonesia namely Nusa Dua Tourism Area that took 40 years to complete all phases with the involvement of central government, local government, international institution, state company, and civil society. He also mentioned that Indonesia will have the same project in Lombok, which is Special Tourism Economic Zone in Mandalika.

16. Ms. Elçin Barın, Expert at the Ministry of Culture and Tourism, Republic of Turkey, made a presentation titled “An Overlook into Turkish Tourism With Reference to PPP“. In her presentation, Ms. Barın first provided a brief overview on the tourism statistics of Turkey. She explained the development of Turkish tourism sector in three

phases (1963-1982; 1982-2003; and 2003-today). She mentioned that tourism encouragement law played an important role in the development of Turkish tourism sector by giving specific examples from different parts of Turkey such as Belek, Antalya. She highlighted that in the implementation of the PPP projects in Turkey three main steps were followed: declaration, planning, and land allocation.

17. Mr. Abdelaziz Alami, Head of Marketing Department, Islamic Centre for Development of Trade (ICDT), made a speech during the working session. In his speech, Mr. Alami focused on the ICDT's activities related to tourism that aiming to promote intra-OIC tourism. He informed participants about a regional project namely "Regional Project for Sustainable Tourism Development in a Network of Cross-Border Parks and Protected Areas in West Africa". He also mentioned that the organization of the OIC Tourism Fair is an important activity of ICDT to enhance intra-OIC tourism. He also highlighted the importance of using new technologies and social networks to promote tourism destinations in OIC member countries.

Outcome of the Workshop

Overall, the participants in the workshop underlined the following concluding remarks:

- Tourism investments do not only include hotel and entertainment constructions but also covers transportation projects (improvement and modernization of airports, railroads, seaports, etc.).
- Tourism projects generally require a high amount of initial investment for which the budget constraints of governments and private entrepreneurs generally make big tourism investments difficult to be undertaken. Therefore, new financial models are needed to make tourism investments possible through some ways of cooperation of governments and private sector.
- Public Private Partnership (PPP) could be suggested as a viable model to finance tourism projects where tourism projects are financed and operated through a partnership of government and private sector.
- Public-private partnerships (PPPs) are arrangements between government and private sector companies for the purpose of jointly investing in projects such as

construction or improvement of accommodation and entertainment facilities, airports, seaports and railroads.

- Such partnerships are characterized by sharing investment amount, risk, responsibility and revenues between the partners. The reasons for establishing such partnerships generally involve financing, design, construction, operations and maintenance of tourism investments.

A. Benefits and Risks of public-private partnerships in the tourism sector

During the general discussions and deliberations, the participants highlighted the following benefits and risks of PPPs in Tourism Sector:

Benefits of PPPs in the tourism Sector:

- **Cost Reduction:** Through consolidating the strengths of government and private sector, PPP models enable the government developing and implementing infrastructure projects as well as in operating and providing more efficient services;
- **Risk Sharing:** With PPPs, the government may share the risks with a private partner. The risks may include excess costs, failure to meet the time limit for delivering a service, difficulties in complying with environmental regulations and others, or the risk that earnings may not be sufficient to pay for the operational and capital costs;
- **Improving Service Levels or Maintaining Current Service Levels:** PPPs may introduce innovation in how delivery of the service is organized and performed.
- **Earnings Improvement:** PPPs may set user rates that reflect the true costs for a specific service. PPPs may also offer the opportunity to introduce innovative income origins, that would not otherwise be available through conventional service providing methods;
- **More Efficient Implementation:** Efficiency may be achieved through the combination of several activities and more flexible acquisitions and hiring, faster approval for more efficient capital funding and decision making.

Risks of PPPs in the tourism Sector:

- **Loss of Government Control:** By their nature, PPPs imply the share of risks and decision-making between partners. PPPs that involve significant investment and risks by the private partner often mean greater partner involvement in decisions on how services are delivered, as well as on prices;
- **Greater Spending:** In establishing a price and fee policies for service users, not all governments consider the "true" service-providing costs. The service provided through PPPs demands price and tax policies that reflect the entire cost;
- **Political Risks and Labour Issues:** Many governments lack experience in PPPs and this lack of familiarity with PPPs by governments and interested parties may result in greater political risks. Collective agreements and labour laws applied to the PPP may cause an adverse response from unions or civil society;
- **Responsibility Issues:** With PPPs, the responsibility for service provision is less clear to the public than the traditional method. This may result in public criticism of the partnership and of the involved partner, or demand greater government involvement, to ensure conformity and response to public demands;
- **Insecure Services:** Private partners may suffer labour disputes, financial problems or other circumstances preventing them from honouring their commitments;
- **Lack of Competition:** Competition leads to innovation, efficiency and lower costs. Governments may not be able to benefit from PPPs if there is limited number of potential private partners with the know-how or ability to respond to a certain proposal;
- **Reduced Quality or Service Efficiency:** If not properly structured and managed, PPP contracts may result in reduced quality of the service, inefficiency or lack of suitable maintenance of an installation.

B. Recommendations

In the light of the above benefits and risks of PPPs in the tourism sector, the participants made a set of policy recommendations that would lead to create a favourable

environment conducive to the effective and efficient PPPs for the development of sustainable tourism sector. These recommendations are made at both the national and OIC cooperation levels as follows:

At National Level:

- 1-** Government and private sector are recommended to consider the following factors in managing successful and sustainable PPPs in the tourism sector:
 - A balanced structure, with clear role assignment and responsibility for all stakeholders;
 - Improving accountability and transparency and consistent enforcement of policies and laws;
 - Leadership is shared between both sectors, with shared and well-defined goals, realistic expectations and identification of the benefits on both sides;
 - A flexible approach by partners, along with the will to understand each partner's needs, contributing to the share of resources;
 - Awareness by all partners that the development of tourism must be sustainable not only from an economic but also from social and environmental point of view;
 - A long-term commitment that combines strategic vision and planning with specific short-term goals able to be measured;
 - Periodic evaluation of the effectiveness of the role performed by each partner;
 - Accurate and effective communication between partners and from partners towards all stakeholders; and stakeholders involvement and transparency in transactions.

- 2-** Governments are recommended to develop strong and effective political and legal institutions with efficient regulatory environment and legal code that protect investors' rights.

- 3-** Governments are recommended to involve in PPPs for tourism projects if such of the following circumstances exist for these projects:
 - The implementation of the project is difficult with the financial resources or expertise of the government alone;

- Private investment would increase the quality or level of service or reduce the time to implement the projects compared to what the government could accomplish on its own;
 - There is an opportunity for competition, where possible, among prospective private investors, which may reduce the cost of the project;
 - Private investment provides an opportunity for innovation; and
 - There are no regulations or legislative restrictions on private investment in the delivery of the tourism services.
- 4-** Governments are recommended to provide incentives to the corporate investors to encourage them to enter PPPs agreements with the government in tourism projects, and to support awareness rising and capacity building programmes for the private sector in the field of PPPs.
- 5-** Governments are recommended to establish special PPP Units for developing policies, ensuring effective coordination, providing technical assistance and introducing/developing financial modalities for the effective implementation of the PPP projects.

At OIC Cooperation Level:

- 1-** Encourage SESRIC to develop and introduce capacity building and training programmes in the member countries in the field of Tourism PPPs, and to facilitate the transfer and sharing of knowledge, experience and best practices among the member countries in this important area.
- 2-** Recommend the Member Countries to benefit from the operational instruments of the COMCEC Strategy through actively participating in the cooperation endeavours under the COMCEC Tourism Working Group and submitting concrete cooperation projects to the COMCEC Coordination Office within the framework of the COMCEC Project Cycle Management.
- 3-** Encourage the Member Countries to develop joint PPP projects and benefit from the IDB Group's and other relevant OIC institutions' facilities for this purpose.
- 4-** Joint programmes and promotional materials on tourism investment opportunities in the OIC member countries, such as TV programmes, brochures, posters, and guidebooks are recommended to be developed and made available to the member

countries as well as to other countries around the world in order to promote and encourage investment in the tourism sector in the OIC countries at the regional and international levels.

- 5- Scientific methods of joint tourism marketing and advertisement are recommended to be developed. A proposed example in this context could be an OIC Internet Guide for Tourism with a view to providing all actors in the tourism sector with comprehensive and updated information on tourism investment opportunities in the OIC member countries, in particular the opportunities for PPPs in tourism sector. In so doing, the experience of the EU Internet Guide "EU Support for Tourism Enterprises and Tourist Destinations" could be a useful example.
- 6- The promotion of alliances between private tourism stakeholders in the OIC countries, particularly between the official tourism promotion bodies, should be encouraged with a view to strengthening tourism marketing and promoting cooperation at the sub-regional level as well as at the level of the OIC region as a whole.
- 7- Tourism Fairs are recommended to be organized biannually preferably in the OIC tourism award city with active participation and involvement of relevant OIC institutions.
- 8- Encourage ICCIA to promote Tourism Marketing and Islamic Tourism related issues among its member chambers.
- 9- Enhancing coordination among the relevant OIC Institutions such as IRCICA, ISESCO, ICDT, SESRIC, IDB Group and ICCIA to improve capacity building activities in the domain of tourism while preventing duplications in these activities.
- 10- Invite ICDT and ICCIA to organize activities to promote investments particularly through PPPs in the tourism sector.
